

RUBIN AND RUDMAN LLP

COUNSELLORS AT LAW

50 ROWES WHARF ? BOSTON, MASSACHUSETTS 02110-3319
(617) 330-7000 ? FACSIMILE: (617) 439-9556 ? FIRM@RUBINRUDMAN.COM

Andrew J. Newman
Direct Dial: (617) 330-7031
E-mail: anewman@rubinrudman.com

January 24, 2002

BY HAND

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: Low-Income Rates - DTE 01-106

Dear Secretary Cottrell:

Blackstone Gas Company ("Blackstone" or the "Company") is pleased to provide these comments concerning the Low-Income Discounts Notice of Inquiry issued by the Department of Telecommunications and Energy ("Department") in the above-entitled docket on December 14, 2001.

The Company adopted low-income discount rates in its recent base rate case *Blackstone Gas Company*, DTE 01-50, at 32-35 (November 29, 2001). The low-income rates became effective on December 1, 2001. The Company has a total of approximately 925 residential customers. The Company responds below to the first three issues outlined by the Department in its Investigation and also raises the issue of cost recovery from any expansion of customer outreach.

Describe outreach efforts to identify eligible discount customers.

The Company notified all customers of the availability of its new low-income discount rates in a bill insert indicating that the rates would provide a discount of \$25 per month for an average heating customer using 175 ccfs per month and a discount of \$5 per month for an average non-heating customer using 20 ccfs per month for eligible customers. In addition, the Company contacted a town official in the Town of Blackstone in charge of fuel assistance and senior services and notified her of the availability of the new low-income discount rates for

eligible customers. The Company plans to notify all customers of the availability of the discount program at least annually during the summer period.

Describe current procedures used for subscriber eligibility verification and enrollment.

The Company placed all customers that were certified by the CAP agency for the Blackstone service territory as eligible for the Low-Income Energy Assistance Program benefits on the low-income rate. In response to inquiries from customers concerning the availability of the low-income rates, the Company requests that a customer provide some reasonable indicia that he/she is a participant in one of the five federal programs defining eligibility and thus eligible for the rates. On an annual basis the Company will require that a customer re-certify his/her continued eligibility.

Discuss whether current subscriber eligibility standards would permit utilities to enroll each other's customers in discount programs.

To the extent that the telephone company or electric company have eligibility standards for their low-income rates that are equivalent to those of Blackstone some type of cooperative arrangement may be appropriate. However, before such a cooperative program is implemented a ruling or determination by the Department that such actions do not violate customer confidentiality concerns must be obtained.

Cost impacts of increased penetration levels.

The Company estimated the penetration level of its low-income rates based on the experience of North Attleboro Gas Company. *Id.* at 34. The Department found this to be a reasonable basis to estimate the projected penetration level and the resulting short-fall.

If the Department modifies the outreach efforts required of LDCs, the reliance on past history of North Attleboro Gas Company would no longer be a reasonable estimate of the low-income penetration level for the Company. The number of customers that enroll in the low-income rates could increase significantly.

The Company in its rate case requested that the Department allow it to defer recovery of low-income discounts in excess of the amount estimated from the projected penetration level either as part of Blackstone's next base rate case or through the LDAC. The Department rejected this request. The Department stated: "In setting base rates, the Department does not ensure dollar-for-dollar recovery by a utility of its costs and expected profits. Rather, rates reflect a

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representative level of expenses and provide a reasonable opportunity to earn the allowed return. (Citations omitted.) *Id.* at 34. While G.L. c. 164, §1F(4)(i) is only applicable to “distribution companies” which by definition is a company engaged in the distribution of electricity and thus not a gas company, it is instructive to note that the statute provides that “[t]he cost of such [low-income] discount rates shall be included in rates charged to all other customers of a distribution company.”

In this proceeding the Department may increase the outreach required of LDCs which will increase the penetration level and the resulting cost of subsidies. In that event, the reliance by the Company on the actual penetration history of North Attleboro Gas Company would understate the actual low-income penetration levels in the future. The Company should be allowed to recover low-income subsidy costs over and above the original penetration level used to design rates in the LDAC or be allowed to defer such costs until the next base rate case. The Company should not be left to recover these additional costs only through a costly base-rate filing or not at all. The Department should recognize incremental costs mandated by its rulings in this matter.

If you have any questions regarding these comments please contact the undersigned.

Very truly yours,



Andrew J. Newman
Attorney for Blackstone Gas Company

AJN/lms
15 Copies to addressee

cc: Michael Killion, Hearing Officer (by hand)
Dte.efiling@state.ma.us